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ABSTRACT

Since the Universal PreKindergarten (UPK) legislation was passed in New York in 1997, the Early Childhood Strategic Group has worked to support full program implementation including providing information to community-based organizations on combining funds from different funding streams to extend UPK services to a full day and to enhance program quality. This report identifies current obstacles to implementation and makes recommendations to ensure that blended funding continues to be a viable option for service expansion. The report describes the benefits of blended funding and how UPK has been incorporated into community-based programs. The report also compares the regulations of relevant agencies, and discusses issues related to: (1) staffing and compensation; (2) teacher compensation; (3) administrative support; (4) facilities; (5) transportation; (6) recruitment of children; (7) accessibility for parents; (8) monitoring and assessment; and (9) systemwide data and analysis. The report concludes with a list of concerns regarding blended funded procedures. The following recommendations are presented as next steps in moving toward the creation of an exemplary early care and education system in New York City: (1) explore a unified rate for UPK; (2) determine real cost of providing a quality program to 4-year-olds; (3) develop a coherent city-wide plan; (4) provide ongoing technical assistance to community providers and school districts on UPK contracting and cost-allocation; (5) conduct research on access to services; (6) conduct research to determine providers' capacity to expand; (7) continue to address the teacher shortage; and (8) develop a means to expand classroom facilities. Appended is information on allocating UPK cost in existing programs. (KB)

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# NEXT STEPS IN BLENDED FUNDING:

## A Policy Recommendation

### Spring 2001

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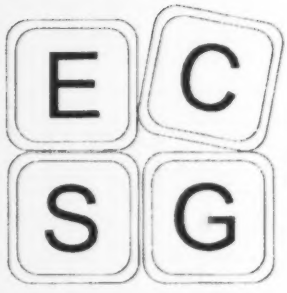


By Nancy Kolben and Charles Paprocki for
The Early Childhood Strategic Group

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## THE ECSG AND BLENDED FUNDING

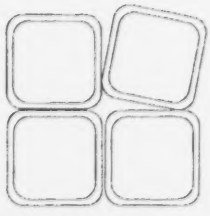
This report is presented by the Early Childhood Strategic Group (ECSG), a partnership of organizations and individuals, who are dedicated to creating a comprehensive early care and education delivery system in New York City. The ECSG also works with the Emergency Coalition to Save Universal PreK, the Universal PreKindergarten Resource Partnership and the Alliance for Quality Education to create a strong foundation for our early care and education system.

Since Universal PreKindergarten (UPK) legislation was passed in the summer of 1997, the ECSG has worked to support full implementation of the program. In most cases, when community-based organizations provide UPK, they normally extend the 2 1/2 hour UPK program to a full day by utilizing other public and private funding sources. This requires using different funding streams to offer services to the same children. It is referred to as "blended funding." Combining funds makes it possible to offer more slots for children, extend services to full day and to enhance program quality. The concept of blended funding, while simple in theory, is quite challenging to implement. Multiple and often conflicting funding, eligibility and regulatory requirements of the Board of Education, Head Start, the Agency for Child Development and the Department of Health make program administration difficult for everyone concerned.

To help clarify the issues and simplify the process, the ECSG produced two previous publications on the topic of blended funding. The first, *Implementing Universal PreK in New York City: Blended Funding and Other Financial Considerations* demonstrated how to integrate UPK into existing community-based programs and offered budget models. The second publication, *Cost Allocation Guidelines for Universal PreK* outlined how to correctly allocate funds from different sources.

The intent of this document, *Next Steps in Blended Funding,* is to identify current obstacles to implementation and make recommendations for collective next steps. We want to ensure that blended funding continues to be a viable option for service expansion at the level of quality we need.

This report is based upon information gathered from UPK providers, early education liaisons, children's advocates, city agency administrators and the Board of Education through surveys, forums, workshops and telephone interviews.



# NEXT STEPS IN BLENDED FUNDING:
## A Policy Recommendation

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# 1 BACKGROUND

The passage of Universal Prekindergarten legislation in 1997 sparked a cooperative venture between the Board of Education (BOE), city agencies, children's advocates and community-based child care and early education programs in New York City to expand quality education opportunities for children.

Public resources available through Universal Prekindergarten (UPK), preschool special education, Head Start and publicly funded child care are now being blended in entirely new ways. Recent increases in funding for child care and Head Start have provided important resources in this effort, but the initial driving force has been Universal Prekindergarten.

UPK legislation provides public funds for 2 1/2 hours of early education services for all four-year-old children whose school districts choose to implement the program. In addition, the legislation mandates that a minimum of 10% of UPK programs be provided by community-based organizations (CBOs). The legislation further indicated that all children, even those already enrolled in a non-school based preschool program, are eligible for these new services.

This development has engaged a diverse delivery system and opened the door to a major collaborative effort between CBOs, city agencies, and the BOE that has resulted in improved early education programs, greater access by families, and more children receiving full day care. Currently, more than 35,000 children are enrolled in UPK in New York City. Of these, approximately 70% are in community-based programs.

Adding UPK program dollars to the existing budgets of community-based organizations is referred to as blended funding. Combining funds makes it possible to offer more seats, extend the hours of the day and enhance program quality. This concept, while simple in theory, is challenging to implement. The difficulty stems from funding, eligibility and/or regulatory requirements of the State Department of Education (SED), the BOE, the Administration for Children's Services, ACS/Head Start and Agency for Child Development (ACD) and the Department of Health (DOH). These administrative agencies operate independently with different sets of regulations.

## A look at a few challenges that make the point:

- UPK pays for 180 days of service for 2 1/2 hours per day. Child care centers operate year round and offer services for 10 hours per day. Head Start operates for 218 days and provides services primarily for 3 hours per day. Preschool Special Education programs operate for 180 days and enroll children for up to five hours per day.

- UPK enrollment is determined as of October 31, each year and participating programs receive payment based on two factors. Prior to October 31, an initial payment is based on anticipated enrollment. After this date, payments are made per month based on program registration and attendance. ACD, Head Start and 4410 schools follow different time frames.

Eligibility for child care is based primarily on a parent's workforce participation and family income. A parent's eligibility can end at the time of re-certification. Head Start enrolls families based on the parents' income level and the children's eligibility for the program year. UPK enrollment will be open to all children.

Families above the poverty level with children enrolled in publicly funded child care are required to pay fees based on a sliding scale. UPK, Preschool Special Education and Head Start are free.

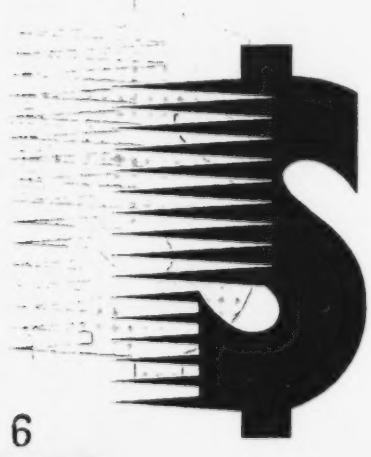
Children in UPK must live in the city of New York. Normally, the Community School Districts give priority to children within their district's boundaries. However, they may consider children from other districts. Publicly funded child care centers enroll families regardless of where they live. Head Start has targeted catchment areas. Preschool Special Education provides transportation and is based on children's needs not geographic location.

Child care reimbursement is based on attendance. UPK and Head Start is based on enrollment.

Compensation for certified teachers varies substantially between the public schools and community-based UPK programs, including child care, Head Start and preschool special education. These differences result from different program funding levels and salary levels in union negotiated contracts. In order to minimize these differences, programs often compensate teachers working in UPK at a higher rate than other teachers in the program.

Many community-based organizations operate programs in several school districts. Each program contract is different and must be negotiated separately.

The matter is even more complex because each of the 32 Community School Districts has substantial flexibility in how UPK services are provided. This essentially results in 32 locally designed UPK programs.



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As required by the 1997 legislation, each Community School District was mandated to establish a UPK Advisory Board that would hold public hearings and develop the initial plan for the program. Once established, the community school district superintendent, through the business manager and early childhood director/coordinator carries out the following responsibilities:

- Determines how to utilize UPK funds;
- Issues a request for proposals (RFP) to community-based program providers;
- Determines the review and selection process;
- Negotiates a budget and contract with each provider; (Core contract language was developed by the BOE).
- Determines what services will be provided through the school district to the community providers;
- Determines the process for selection and enrollment of children;
- Establishes monitoring and oversight procedures.

Despite the complications, UPK has served to mobilize the early care and childhood education community to develop a more universal and coherent service delivery system. Prior to UPK legislation, neither the central Board nor the local Community School Districts had much experience working with the diverse CBO community that provides child care, Head Start, 4410 preschool special education and family child care. With the advent of UPK, the Board of Education and the 32 local Community School Districts actively reached out to their community-based partners. At present, the Board of Education contracts with over 450 CBOs to provide UPK. These CBOs provide nearly 70% of the total UPK services in the city. Both the BOE and the Community School Districts are to be commended for their efforts to understand CBO funding streams and for their responsiveness to the issues raised by individual service providers.

The first CBOs to offer UPK were pioneers and risk takers in implementing blended funding. They paved the way for others by developing creative, widely applicable solutions for how to combine funds from Head Start, child care and special education with UPK funds. In doing so, they helped the early care and childhood education community to enhance and expand services to children and families.

While much has been accomplished, there is still much to be done. The substantial increase in child care and Head Start funding coupled with increasing UPK resources allows us to continue to develop a coherent strategy for blended funding.

## The Early Childhood Strategic Group Supports Blended Funding

The Early Childhood Strategic Group (ECSG), a partnership of twenty individuals and organizations dedicated to creating a comprehensive and well-integrated early care and childhood education system in New York City, has long recognized the importance of blended funding. The Group continues to support UPK expansion, enhanced quality and full day options to make this vision a reality.

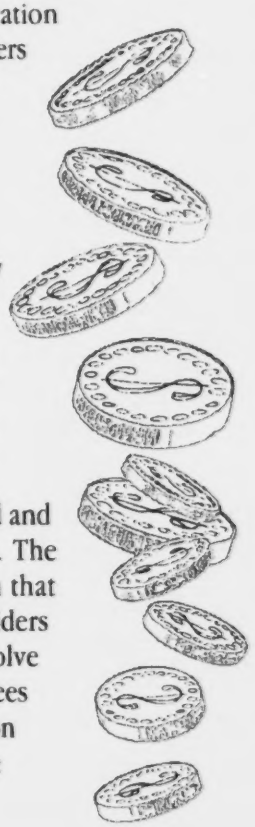
The ECSG has provided leadership and vision on this critical issue through the following activities:

### The First Guide on Blended Funding

The ECSG published and distributed the first planning guide for UPK entitled *Implementing Universal PreKindergarten in New York City: Blended Funding and Other Financial Considerations*. The guide demonstrated how to integrate UPK into existing community-based programs and offered budget models. Over 2,000 copies of the guide have been distributed. The Board of Education, the Agency for Child Development and ACS/Head Start endorsed the guide and helped to distribute it.

### Cost Allocation Report

The ECSG worked with an auditing firm and legal experts to develop *Cost Allocation Guidelines for Universal PreKindergarten.* This publication outlines how to correctly allocate funds from different sources. It offers a framework for CBOs and the Community School Districts to understand the principles of cost allocation as it applies to UPK and other early childhood programs.



### Forums

To promote greater understanding of blended funding issues, identify barriers and develop solutions, the ECSG sponsors forums each year that bring together representatives from the Board of Education, city agencies, advocates and early childhood education directors. The forums typically draw between 250 and 300 participants.

### Strategy Meetings

Members of the ECSG sit on the BOE Citywide UPK Advisory Board and the State Education Department's UPK External Working Group. The ECSG also initiated the Universal PreK Technical Assistance Team that brings BOE and city agency personnel together with program providers to discuss regulatory obstacles to implementation and how to solve them. Recently, this function has been passed to specific subcommittees of the BOE Citywide Advisory Board. ECSG members participate on these subcommittees and one of our members co-chairs the Subcommittee on Blended Funding.

### Technical Assistance Workshops

This year, the ECSG sponsored four technical assistance workshops for UPK providers to address contracting and budgeting issues related to blended funding. Over one hundred and twenty UPK program directors attended the workshops that were held in each borough. Representatives from the BOE were available to answer questions about the Board's policy on multi-year contracts.

### Informing Program Providers

The ECSG keeps program providers updated on blended funding issues through a "Blast Fax." Notices of developments are announced through this medium.

*Next Steps in Blended Funding* continues this process by identifying persistent obstacles and by making recommendations for future planning. The findings and recommendations in this report were identified through individual interviews, surveys to UPK contract agencies, workshops on blended funding, as well as through discussions with local Community School District and central BOE.

## The Benefits of Blended Funding

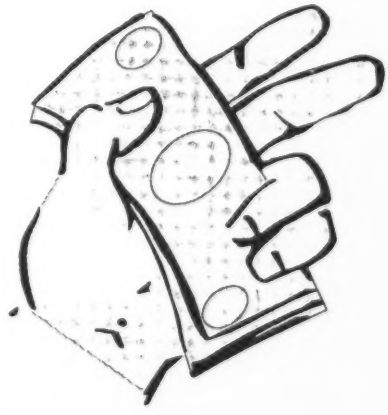
With a mix of child care, Head Start and UPK funding, CBOs are able to provide services to more children, extend their program hours and offer essential program enhancements. The blending of resources from different funding streams strengthens early education programs and improves the quality of services for all children enrolled.

Blended funding is important for several reasons:

Universal Prekindergarten allows community-based providers to integrate this 2 1/2-hour program into their full and extended-day programs.

Parents have increased access to full-day program options for their children.

Effective collaborations between city agencies and the Board of Education result in improved and increased integration of services for families and children.



CBOs that receive UPK funding are able to expand and enhance their early childhood education programs. Funds are used to increase instructional supplies, improve play equipment, provide and enhance professional development opportunities focused on child initiated, developmentally appropriate curricula. Many UPK providers have developed an arts program or a literacy program or parent social service support program. Many have been able to buy computers.

Programs have been able to hire specialized consultants who focus on educational art, music, dance, language, literacy, math or technology, to name a few. Providers have also hired social service personnel including psychologists, nurses, family workers and social workers. Together, they make the program comprehensive and improve the quality for children.

Some CBOs use interns, in addition to hiring staff. One Head Start program, for example, provided more extensive speech therapy by using UPK funding to expand the hours of a supervising speech therapist to work with graduate-level interns.

***Effective collaborations between city agencies and the Board of Education result in improved and increased integration of services for families and children.***

Aside from improving the quality of early education programs, UPK has also served to integrate program models and offer an extended day of service for children and families. For example, a child care center that runs an after-school program, group child care and a family child care network started two morning UPK classes using the space allocated for its after-school program. Because the space was not available to the UPK children in the afternoon, the school devised a wrap-around program so children who attend UPK in the morning could participate in peer-group family child care for the remainder of the day. They created a program where parents drop the children off at the center at 8 a.m. After attending one hour of before-care and 2 1/2 hours of UPK, children are picked up by family child care providers who care for them until 6 p.m. Parents then pick up their children at the homes of the family child care providers. In this way, the center has been able to provide a ten-hour-service day while using its own space for UPK only in the morning.

In another example, a Head Start program operated four UPK classes at three different sites. With UPK funding, two of these classes were extended by 2 1/2 hours without the need for additional space. During the program's first year with UPK, the length of the day for these classes was extended from 7 hours to 9 1/2 hours. The other two classes, however, operated in a double session—that is, one group of children in a morning class and another group of children in an afternoon class in the same space. In order to extend the day of these classes, additional space was needed. The program was able to find new space and renovate it with funding from Head Start. In its second year, it turned the double session into two full-day classes using the new space. The number of hours that each of these classes operates per day increased from 3 hours to 7; UPK provided the funding for 2 1/2 hours, Head Start and private funding for the remaining 41/2 hours. Thus, two groups of children are able to receive more than double the hours of care per day.

## UPK IN COMMUNITY BASED PROGRAMS

The UPK program has been incorporated into early childhood programs in four ways:

**A half-day program**, in which the provider offers a 2 1/2-hour UPK program to children, exclusively funded by the Board of Education. Examples include:

An ACD program or 4410 school has a separate UPK classroom offering AM and/or PM UPK sessions;

A private preschool or parochial school adds a separate UPK classroom;

A group family child care provider enrolls children for either an AM or PM session and limits enrollment to 4 year old children.

**A part-day program (2 1/2 hours of UPK) in the same classroom with other children.** Examples include:

A Preschool Special Education part-day classroom integrates disabled and non-disabled children in the same learning environment;

A Head Start or private nursery school adds UPK children to its existing classrooms.

**A school-day (full-day) program**, in which the provider combines a 2 1/2 hour (half-day) UPK program with another half-day program to offer a school-day (8:30 to 3:00) program for children. This arrangement is funded in part by the Board of Education and in part by another funding stream or by parent fees. For example:

A Head Start, private nursery or parochial half-day program is combined with UPK to offer the full six hours of the school day;

A 4410 program enrolls both disabled and non-disabled children and provides a full-day classroom.

**An extended-day program**, in which the provider offers UPK within a longer-day program (10 hours) that is funded by other sources. For example:

An ACD-funded program incorporates UPK into the 10 hour day for children;

A full day Head Start program (six hours) incorporates UPK into the program day providing a 10 hour day;

HRA or ACD vouchers are used to extend the UPK hours to a 10 hour day;

A private preschool program that operates six hours extends the day by integrating UPK;

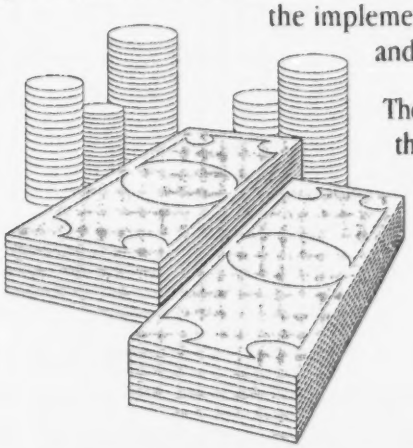
A group family child care provider incorporates UPK to create a full day program.

Programs wanting to offer UPK in conjunction with other publicly funded programs, such as day care, and Head Start, must construct an early childhood program budget and allocate an appropriate portion of the costs to each of the funding streams. This may require renegotiating existing funding levels with ACD and Head Start. The ACD administration fostered collaboration by allowing CBOs to utilize reallocated funds to pay for comprehensive program costs and enhancements not included in its basic budget. An administrative advisory memo published by ACD gave programs the basic guidance they needed to incorporate UPK funding to support both enhancement and expansion.[1]

According to ACD guidelines, enhancements could include the following:

> Services of specialized consultants to enhance the program for children, such as qualified specialists in mathematics, science, music, art, language arts or movement who work directly with the children or hold on-site workshops for staff and parents;
>
> Trips taken by children during regular program hours;
>
> Professional development activities for staff and parents that support their individual growth in early childhood education, parenting education, literacy skills, special education and other related services;
>
> Upgrade and replacement of the program's indoor and outdoor equipment, and teaching and play supplies;
>
> Repair of the program's equipment.

The enhancement funds become available to program providers through appropriately cost allocating the expenses that are associated with the implementation of the UPK program and are included in the contract.[2] While ACD has prepared written guidance on this topic, Head Start responds on a case-by-case basis. For providers who do not receive subsidies, contracting for UPK allows the programs to reduce parent fees for the hours of UPK offered. The landmark decisions by ACD and Head Start greatly facilitated the implementation of the UPK program and helped integrate the early care and childhood education community in new and powerful ways.



The funding regulations governing preschool special education prescribe the process for arriving at a blended program for children. As a result of the expansion of UPK, more children are in integrated settings and typically developing children have access to the support services that are part of the regular 4410 program.[3]

[1] See the ACS/ACD Advisory "Administrative Advisory for Allocating Costs in Publicly-Funded Day Care Programs."

[2] See Appendix.

[3] See "UPK + 4410 = Integrated Funding for Integrated Programs" produced by the Interagency Council of Mental Retardation and Developmental Disabilities Agencies, Inc. for an analysis of integrating special education and UPK funding.

During the past year, each city agency has worked to resolve blended funding issues. The Board of Education's Office of Contract Management, working closely with the Office of Early Childhood Education, met regularly with district early childhood directors and business managers to provide technical assistance. The Office of Contract Management also agreed to arbitrate unresolved contract issues between school district offices and CBOs. The Citywide UPK Advisory Board established an interagency workgroup to address on-going issues. Each partner agency, including ACS, DOH and HRA also reached out to organizations with whom they worked to encourage them to become UPK providers and to assist them in resolving financing issues.

The BOE has also encouraged Community School Districts to partner with 4410 preschool special education schools to develop UPK integrated service options. The preschool special education community was seeking opportunities to enroll normally developing children in its schools. The timing was right to support this effort. The funding of 4410 schools is complex. School districts were challenged to understand how budgets could appropriately reflect the inclusion of UPK. An interagency workgroup planned and successfully implemented the first Citywide UPK Integrated Conference designed to highlight innovative instructional practices as well as to address blended funding issues. As a result of this conference, the Interagency Council of Mental Retardation and Developmental Disabilities published "UPK and 4410: Integrated Funding for Integrated Programs", an important resource to move the blended funding agenda forward.

## Comparing The Regulations For Head Start, Child Care, Universal Prekindergarten And Special Education

Much work has been done to expand programs through blended funding methods, yet regulatory issues and misunderstanding still complicate the process. The following chart[4] points out some of the issues that community-based early care and childhood education providers face in integrating UPK into their existing programs. The chart compares regulations for ACS/Head Start, ACS/ACD, BOE/UPK and SED 4410 Preschool Special Education.

***Much work has been done to expand programs through blended funding methods, yet regulatory issues and misunderstanding still complicate the process.***

[4] Based on a chart developed by United Neighborhood Houses for its service integration project, one of the first examples of blended funding for child care and Head Start.

| | ACS/Head Start | ACS/ACD Child Care | BOE/UPK | 4410 Schools |
|---|---|---|---|---|
| **Eligibility** | Chooses 90% of its children from families with income below the federal poverty level. Service is free to all parents. Each program serves families from a limited catchment area. Regulations are set by national Head Start. | Accepts children from families up to 225% of poverty for a family of 4. Priority is determined by ACD. Charges fees on a sliding scale. Each program can serve families from any area. | Designed to serve all four-year-olds. Priority is given to economically disadvantaged children, but the program is open to all four-year-olds. | Children who are assessed with a developmental disability or delay. |
| **Age of Children** | Serves 3- and 4-year-olds, primarily in pre-school programs. Early Head Start offers limited services to children under 2 in family child care, as well as other settings. | Typically serves children 3 to 5 years old; funds infant and toddler programs from age 2 months through 3 years, and afterschool programs for children from ages 6 through 12. | Serves children who will be 4 years old by December 1 of the given entering school year. | Serves children 3 to 5 years old. |
| **Schedule** | Most programs run two sessions daily, lasting 3 1/2 hourss each; some run single sessions lasting 6 or more hours. Classes are open 218 days a year. | Classes typically operate from 8 am to 6 pm, 250 days a year. | Classes are funded for 2 1/2 hours a day, for 180 days a year; including 176 instruction days and 4 professional development days. | Special classes may be half-day (at least 2.5 hours) or full day (up to five hours) for 180 days a year. |
| **Parent Involvement** | Gives parents direct advise and consent roles in most aspects of administration, including personnel decisions. Uses both program level and citywide policy advisory councils. Requires parents to volunteer. | Has program level advisory councils, but delegates little authority to them. Does not require significant parent participation in the classroom, because most parents work during the day. | Legislation supports family participation in the program. Activities include meetings in the language of the parents and presentations on a variety of topics related to early education, child activities, and parent needs. | Parents select the evaluator for the assessment of the child. There is no parental choice in the selection of the program for the child. |
| **Teacher Requirement** | Must meet DOH requirements in NYC. This requires a certified teacher in every classroom. Many teachers, however, are on study plan to achieve certification. | Must meet DOH requirements in NYC. This requires a certified teacher in every classroom. Many teachers, however, are on study plan to achieve certification. | Must meet SED requirements in NYC. This requires a certified teacher in every classroom. Many teachers, however, are on study plan to achieve certification. | Must be certified in special education. |
| **Contracts** | • Fiscal year runs February to January.<br>• Contracts provide annual lump-sum grants.<br>• Reimbursement is based on enrollment targets and estimated expenditures. | • Fiscal year runs July to June.<br>• Funding based on budgeted capacity.<br>• Reimbursement is based on enrolled attendance. LPOS are based on daily attendance figures. | • Fiscal year runs July to June.<br>• Multi-year contracts.<br>• Reimbursement is based on enrollment as of October 31st. | • Fiscal year runs July to June.<br>• Multi-year contracts.<br>• Tuition fees are established by SED. |

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| | ACS/Head Start | ACS/ACD Child Care | BOE/UPK | 4410 Schools |
|---|---|---|---|---|
| **Reports and Audits** | Maintains unique reporting requirements. Audits separately. | Maintains unique reporting requirements. Audits separately. | Maintains unique reporting requirements. Audits separately. | Maintains unique reporting requirements. Audits separately. |
| **Recruitment and Enrollment Strategies** | Each program manages its own recruitment and enrollment process based on federal poverty guidelines. | Programs do their own recruitment, but ACD staff determines eligibility. | Responsibility of the school district and contracted CBO. Eligibility based upon BOE/SED formula. Children are enrolled in the public school system. | Children are placed in special education programs by CPSE, based upon assessments. |

## Community School Districts Implementation Policies And Procedures

An established evaluation criterion guides the selection of UPK service providers. This selection process encourages each Community School District and their proposed providers to negotiate:

The level of funding allowed per program.

The allowable costs for each item in the budget.

The type and the amount of resources granted to CBOs.

The process for recruitment and enrollment of children.

Access for children served by a CBO who do not reside in the district

Providers are selected by each of the Community School Districts who issue a Request for Proposals (RFP). These local school districts have broad discretion in negotiating contracts and setting payment levels. Districts determine the amount of funds to be set aside for their own administrative and program expenses. Some districts offer professional development opportunities to CBO teaching staff and make sure that programs are adequately furnished to meet quality standards. Other districts do not have the resources to make these investments.

The result is some districts pay more per child than others do and the differences in payment levels are based on a number of different factors. These may be differences in program design, a CBO not submitting a budget proposal that accurately reflects the true cost of its programs or a Community School District's own priorities. Some CSDs simply offer rates with little or no room for negotiation. As a result, there continues to be confusion among service providers as to how rates are set.

There are differences across Community School Districts regarding approved budget items for the UPK program. Some districts, for example, assume that ACD-funded programs already have teaching staff and facilities paid for by another agency and so these districts do not allow programs to include the appropriate share of these teacher and facility expenses in their approved budget. The principles of cost allocation will require them to do so once they are audited.

There are also differences as well on a number of program issues. For example, some community districts require that UPK children be enrolled in a self contained classroom only. Others allow mixed enrollment of UPK and non-UPK children in the same classroom. Some approve mixed age groupings of children as allowed within licensing requirements and others do not.

Because many early childhood programs enroll children regardless of where the family lives, the requirement that children reside in the district is a particularly challenging one. Community districts vary substantially in how they deal with this challenge.

Once children are enrolled in UPK, they are enrolled in the public school system. That is clear. Although the contract indicates that CBOs have shared responsibility for recruitment, this is not clear to all CBOs. Some CBOs expect children to be recruited by the local district and referred. There needs to be much more clarity regarding the roles and responsibilities for recruitment of children to assure full enrollment in all settings.

## Contracting Requirements

***Because many early childhood programs enroll children regardless of where the family lives, the requirement that children reside in the district is a particularly challenging one.***

During the first two years of UPK, the CBOs signed contracts with the BOE that were renewable annually for two years. Starting in the 2000-2001 school year, however, the BOE changed its policy to require multi-year contracts. New providers this year had to sign a three-year contract based on a site-specific, fixed cost per child. The contracts allow for additional children to be served in subsequent years but at the same fixed cost per child. Providers who previously contracted with the BOE had the option during the 2000 – 2001 school year of either extending their contracts for three more years or of renewing their contracts for one more year. If they chose the latter option, they will be required to submit a new proposal next year and negotiate a new contract.

There is strong support for the concept of multi-year contracting. A number of providers and advocates, however, expressed concern regarding the fixed rate established by the Board of Education. This is of particular concern because teacher salaries in CBOs already fall below those at the Board of Education and these programs face substantial challenges in recruiting and retaining staff. The BOE has indicated that if a CBO has substantial cost increases in the second and third year of the contract, it can request a rate adjustment. Requests must first be reviewed by the community district and then referred to the BOE for approval on a case-by-case basis. The only other option that the Board allows is that the provider may cancel the contract without penalty at the end of the current school year.

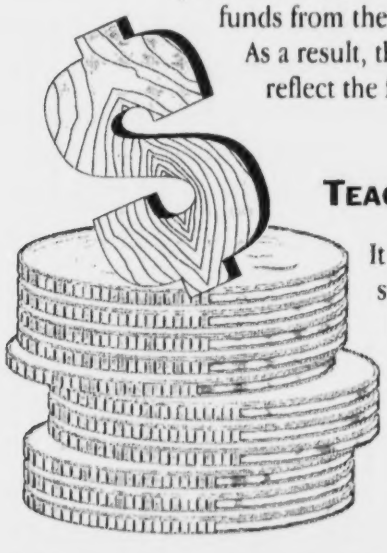
According to representatives from the BOE, its analysis of the UPK contracts indicated that the average cost per child increased only nominally from the first year of UPK to the next. Some advocates, however, maintain that this is due to confusion about cost allocation procedures on the part of CBOs and school district personnel. Therefore, creating a multiyear contract based only on a first year budget may inaccurately reflect a program's real costs over time. The fixed rate contracts clearly affect programs in different ways. For example:

> A program opens a new classroom of UPK children relying on a mix of parent fees and vouchers to pay for the extended day. It finds the fixed rate creates a hardship for meeting the additional classroom expenses that are not incurred by another provider who simply extends the hours of service in an existing classroom.
>
> All programs face increases in teacher salaries to keep pace with changes in public school salaries and the requirements for certified teachers in each classroom. A fixed rate makes it difficult for a program to meet these challenges.

These issues require joint resolution among all of the funding agencies. Experts strongly recommend beginning the discussion by establishing a model budget that represents the true cost of quality prekindergarten services. Such a budget must reflect equitable salaries, common social service supports, comparable rent expenses and so forth.

## Staffing and Compensation

There is still lack of clarity among CBOs and Community School Districts about what staff can be appropriately included in a UPK budget. They include teachers, teaching assistants, teacher's aides, consultants, family and social workers, nurses, psychologists, cooks, custodians, the executive director, educational and assistant directors, administrative assistants and the accountant or bookkeeper. Because it is a challenge to allocate personnel costs across funding streams, it appears that many programs simply request funds from the BOE to pay for enhancements rather than essential teaching staff. As a result, the budgets as presented to the Community School District may not reflect the full cost of operating a UPK program.



## Teacher Compensation

It is clear from discussions with both CBOs and Board of Education staff that there needs to be a citywide strategy that supports equity in compensation. Many CBOs are frustrated that their teachers often leave as soon as they are certified to take positions with the BOE

because the salaries, fringe benefits and working hours are better. At the same time, the BOE is losing its teachers to the suburbs for the same reasons. To resolve this issue will require a citywide strategy that engages both the teachers union and the unions representing child care and Head Start workers.

ACS/ACD and ACS/Head Start have attempted to address this problem by allowing providers to offer UPK teachers a non-pensionable annual bonus. ACD has stipulated that bonuses can be given in exchange for the increased responsibility associated with interagency and professional development standards and expectations. Compensation is only one of the issues. There continue to be questions about fringe benefits for teachers who are teaching in a UPK classroom that operates as part of a publicly funded child care or Head Start program. These different levels of compensation within the same program are problematic because they inevitably create competition among equally qualified staff who may not be teaching in a UPK classroom.

Programs that do not receive other public funds have also tried to find ways to enhance teacher salaries. One provider offers paid sick leave one day per month; teachers who choose not to use their sick leave may be paid for those days at the end of the year.

Another private provider offers health insurance through the New York State Health Insurance Partnership Program (NYSHIPP). This program pays 45 percent of the premium and asks the employer to pay 45 percent, leaving the employee to pay only 10 percent. It is only available to organizations with 50 or fewer employees. The New York State Department of Health has established a waiting list so providers may sign up.

## Administrative Support

Although the BOE has worked to simplify the process, UPK vendors do have increased paperwork. First, applicants must submit a proposal, a W-9 and a VENDEX questionnaire[5]

Once a contract is awarded, providers must work with the local school district to recruit and complete the paperwork for enrolling children in the public school system alongside enrollment for child care and Head Start programs where applicable. During the school year, providers must also maintain timesheets, expense reports and submit monthly attendance sheets to the BOE that double as invoices. They also submit two financial reports during the school year. In addition, meetings and site visits from the local community school district also require staff time.

***There continue to be questions about fringe benefits for teachers who are teaching in a UPK classroom that operates as part of a publicly funded child care or Head Start program.***

[5] All who contract with any agency of the City of New York must complete a vendex questionnaire. There are two types of questionnaires, one for Not-For Profit Organizations consisting of a questionnaire for the organization and a questionnaire for individual Board members. The other questionnaire is for profit entities, which consists of a questionnaire for the business and a questionnaire for the principals of the business. A vendex questionnaire is valid for three years. If, within the three-year period, an organization desires to contract with another municipal agency or with a different department within the current contracted agency, it must submit copies of the previously submitted vendex and an Affidavit of No Change to the agency with which the organization seeks to contract.



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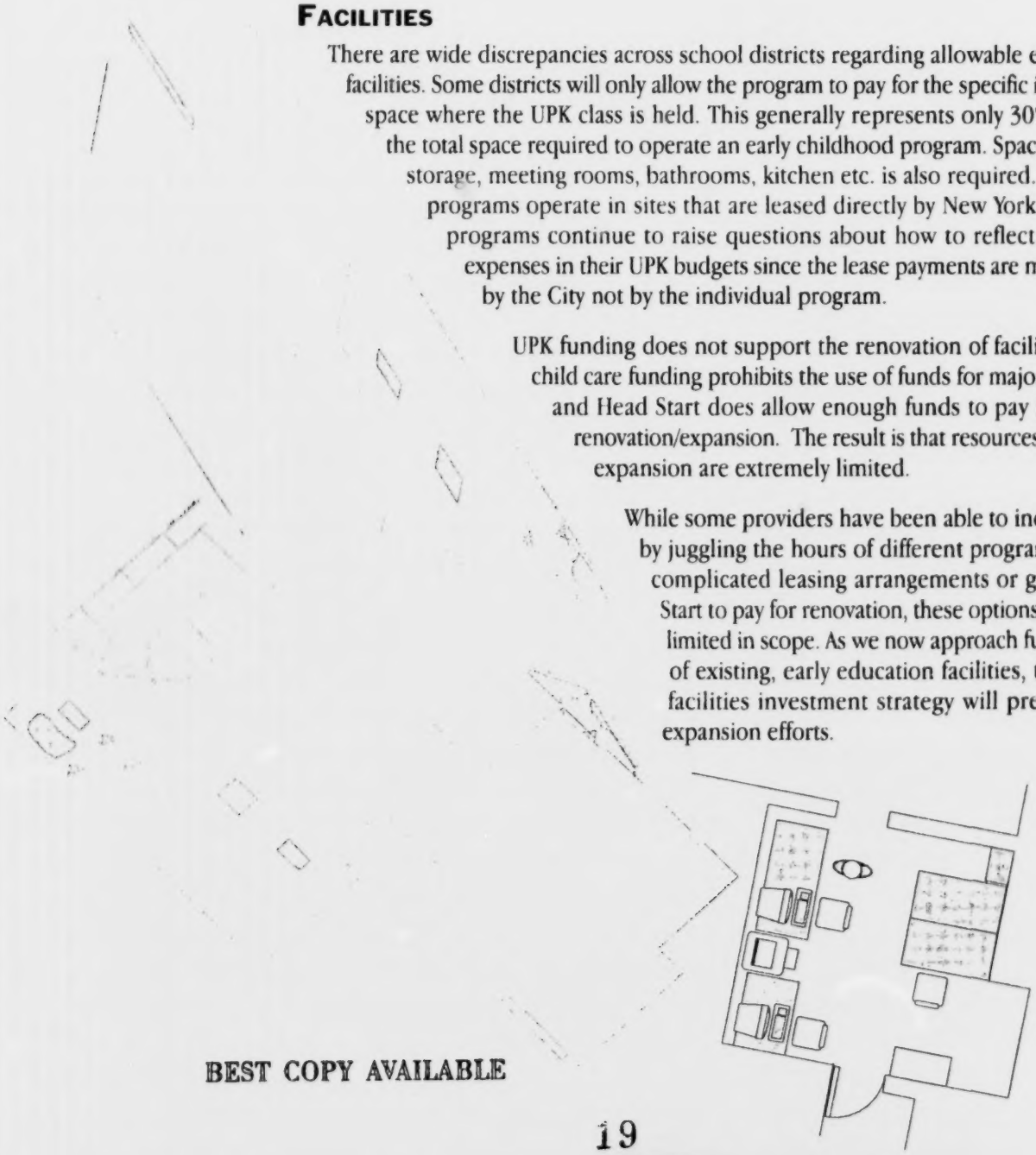
Experienced UPK providers assign at least one staff member to manage UPK paperwork. In some instances only the executive director is available to complete this paperwork. Where possible the work is assigned as wel to an administrative assistant or the family worker.

## FACILITIES

There are wide discrepancies across school districts regarding allowable expenses fo facilities. Some districts will only allow the program to pay for the specific instructiona space where the UPK class is held. This generally represents only 30% to 40% o the total space required to operate an early childhood program. Space for offices storage, meeting rooms, bathrooms, kitchen etc. is also required. Some ACI programs operate in sites that are leased directly by New York City. Thes programs continue to raise questions about how to reflect these leas expenses in their UPK budgets since the lease payments are made directl by the City not by the individual program.

UPK funding does not support the renovation of facilities. Publi child care funding prohibits the use of funds for major renovatio and Head Start does allow enough funds to pay for facilitie renovation/expansion. The result is that resources for facilitie expansion are extremely limited.

While some providers have been able to increase spac by juggling the hours of different programs, creatin complicated leasing arrangements or getting Hea Start to pay for renovation, these options are severel limited in scope. As we now approach full utilizatio of existing, early education facilities, the lack of a facilities investment strategy will prevent futur expansion efforts.



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## Transportation

The UPK legislation does not provide additional funds to pay for transportation of children. This has created a significant problem across the state for many school districts that rely on bussing of children to school. School districts across the state are working to secure additional funding for transportation. Community School Districts have, in a few instances, been able to identify resources to pay for transportation of children. This remains a continuing problem and can impede enrollment of children in the program.

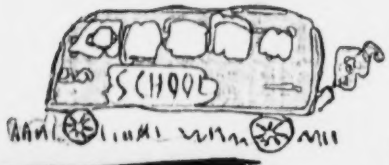
## Recruitment of Children

While legislation requires school districts to recruit children for UPK, there is language in the current UPK contract that indicates that recruitment is a joint responsibility of the CBO and the Community School District. Even with this contract language, many providers do not fully recognize their role in recruitment. The lack of clarity results in confusion not only for providers but also for parents. Often children are not enrolled in time for school to begin. In other instances, the lack of recruitment efforts results in under-enrollment even though there is a great need in the community.

## Accessibility for Parents

The overwhelming need of parents is for a full or extended day program. In instances where UPK is a stand-alone 2 1/2-hour program, full enrollment is generally a problem. Although blended funding makes it possible to stitch together programs, there are remaining challenges to make the program seamless for parents and children. Overlapping paperwork for separate programs is a hardship for parents. Often, enrollment forms are not clear and require parents to seek additional assistance to complete them properly. Unintended problems arise because some agencies have not understood what is required by other agencies. For example:

> A CBO has enrolled a child in one of its other programs and accepted a copy of a birth certificate but the local school district demands to see the original.
>
> Parents have been required to take a child to two physical exams and complete different forms to meet different program requirements.
>
> Children in foster homes are often denied access to UPK because neither ACS nor the foster parent can produce a birth certificate.



Finally, many parents do not know about the program. The BOE has developed flyers in multiple languages that have been broadly distributed. There is a need, however, for a sophisticated marketing strategy in multiple languages to reach more families.

## Monitoring and Assessment

Currently, an early childhood program funded by ACD, Head Start and the BOE can expect to be monitored and must undergo a separate assessment process for each agency. Each Community School District is responsible for establishing its own process for monitoring and evaluating so an agency with multiple UPK contracts might follow different processes depending on the requirements of the school district. Although discussions have begun among the various agencies, currently there is no unified strategy for how to simplify this process and meet other funding and reporting requirements. This duplication often results in programs being asked to provide the same information in a different format to different funding agencies. The duplications is time consuming and difficult for programs to manage.

***The BOE has developed flyers in multiple languages that have been broadly distributed. There is a need, however, for a sophisticated marketing strategy in multiple languages to reach more families.***

## System-wide Data and Analysis

Because UPK funding is only for two and a half hours per day, the data collection systems established by the BOE do not track the availability of extended day services funded with other public or private resources. As a result, we do not have solid information about the full range of prekindergarten services available to the children who are enrolled in UPK. We need to establish a data collection system that reflects the reality of the services provided and documents the linkages of UPK to these other services in order to understand the met and unmet need for services in communities. This is another case where ACS/ACD, ACS/Head Start, the Board of Education, the Department of Health and the child care resource and referral agencies should work together to design a data collection system that will meet the needs of programs and the need of parents for accurate information about program options.

***We need to establish a data collection system that reflects the reality of the services provided and documents the linkages of UPK to these other services in order to understand the met and unmet needs for services in communities.***

There is little documentation as well about parent preferences and choices. There are districts where spaces are available but families are not enrolling their children. We do not know enough about the barriers that families face in taking advantage of these programs. There needs to be an analysis of parent preferences and choices.

## Conclusion

Blended funding provides a pathway to a seamless service delivery system out of disparate and sometimes conflicting regulations. A number of challenges, however, are noted in this report. The responsibility for managing the blending of funds from different sources currently falls to the CBOs who operate the programs. There is a need to clarify how programs are funded. This must be done with sensitivity to auditing guidelines and to the need for a consistent level of funding that will allow programs to operate a quality program.

The review of concerns regarding current blended funding procedures reveals the following:

Funding regulations based upon different program requirements are complex;

Fixed rate contracts for UPK may stifle expansion;

Variable policies of Community School Districts regarding allowable expenses create hardships for some service providers;

Confusion over cost allocation may result in budgets that do not reflect the true cost of a quality program;

Differentials in pay for qualified teachers in CBOs and public schools limit CBOs access to qualified staff;

Duplication in monitoring and evaluation strategies potentially wastes resources;

Levels of funding for each type of program are often not reflective of the full cost of operating a quality program;

Limited information about hours of service and parents needs prohibits effective planning.

# 2 POLICY RECOMMENDATIONS

UPK provides an opportunity to move toward an integrated early care and education system. It is the only publicly funded early childhood program open to all children regardless of income and it is available in every school district across the city.

The ECSG offers the following recommendations as next steps in moving toward the creation of an exemplary early care and education system in New York City.

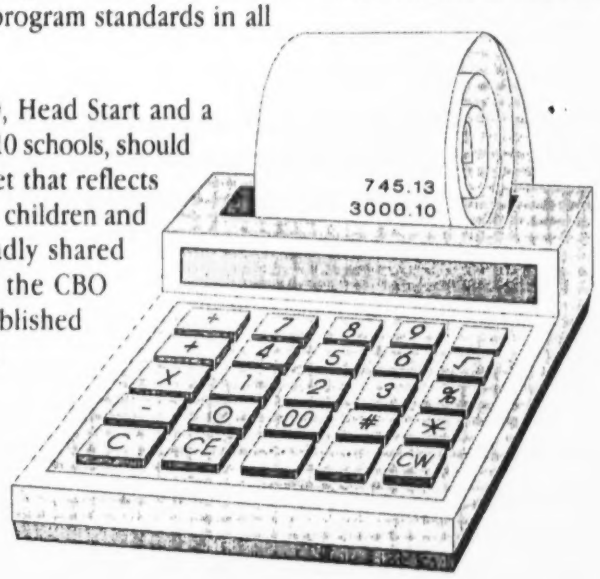
## Explore the Creation of a Unified Rate for UPK

Even with substantial training, published guidelines and on-going communication, it remains complex and time consuming to implement UPK. The Community School Districts and CBOs spend substantial time in contract negotiation that may not result in cost savings for the Board or quality enhancement for the program. We are urging the Board of Education to work with its other city partners to explore whether a UPK single rate contract, coupled with other funding adjustments by ACD and Head Start, would represent an appropriate next step and move us the farthest in assuring a quality program across the city. Such an approach may make it possible for the Community School Districts and CBOs to focus more attention on quality program standards rather than budgets. It could also help to build cooperation between school districts and CBOs in community building and systems building.

## Determine Real Cost of Providing A Quality Program to Four Year Olds

The Board of Education's Office of Early Childhood Education has convened a workgroup of city agencies and CBOs to define common program standards for UPK. These standards should be promoted as the framework for a set of program standards in all settings.

Based on these standards, the BOE, ACD, Head Start and a representative group of CBOs, including 4410 schools, should move to develop a model program budget that reflects the real cost of offering a quality service to children and families. These budgets should be broadly shared among Community School Districts and the CBO community. A mechanism should be established for updating these budgets as cost change.

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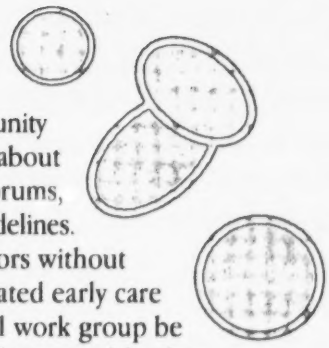
## Develop a Coherent City-Wide Plan



Universal Prekindergarten has helped to bring the early care and education community into a new working relationship. The Board of Education shares information about UPK freely with the larger community. All city agencies willingly participate in forums, conferences and committees to share information about their regulations and guidelines. The ECSG continues to make its forums and publications available to all sectors without cost. All of this work has still not created the comprehensive and fully integrated early care and education system we desire. As such, we recommend that a mayoral level work group be established to advance our collective work and to make maximum utilization of increased funding streams.

## Provide on-going technical assistance to community providers and school district personnel on UPK contracting and cost-allocation issues.

Over 450 CBOs now provide UPK services and a substantial number of these programs operate as independent programs with no other contract with a public agency. In addition, the BOE is now contracting with both early childhood center-based programs and family child care. There is a continuing and ongoing need for substantial technical assistance to both community-based providers and Community School Districts. The contracting of services to group family child care providers raises new, unresolved challenges that must be addressed. While school district staffs meet regularly with the BOE Office of Early Childhood Education and the Office of Contract Management, the CBOs have no regular meetings nor opportunities to share information, ideas nor questions across district lines. The occasional forums sponsored by the ECSG and the information gathering workshops sponsored by ACD and Head Start are their only means of getting information and sharing their concerns. To address this vital need, the ECSG recommends the establishment of an Early Care And Education Center. The center would foster program collaboration, support blended funding and work to resolve the day to day local concerns that arise regarding enrollment, registration, staff benefit packages, rent allowances and so forth.

## Conduct Research on How Many Children Have Access To Services

Currently, the BOE has refined its internal tracking system to determine how UPK funds purchase school day services. Even so, we don't know how many children receive a half-day, school day, or extended-day (until 6 p.m.) program. Nor do we know which agencies provide what percentage of these different programs. To meet this need, there should be a data collection system established that provides easy access to information about service capacity to all of the participating agencies. As a first step, we are recommending that a survey be undertaken to develop the baseline information on services provided.

## Conduct Research to Determine the Capacity of Providers To Expand

The program is now serving less than half of the potentially eligible children. The BOE, working with other city agencies, needs to develop a plan for how to meet the goal of service expansion. We need to fully understand our capacity to expand and to link this research to expansion opportunities for child care and Head Start.

## Other Considerations

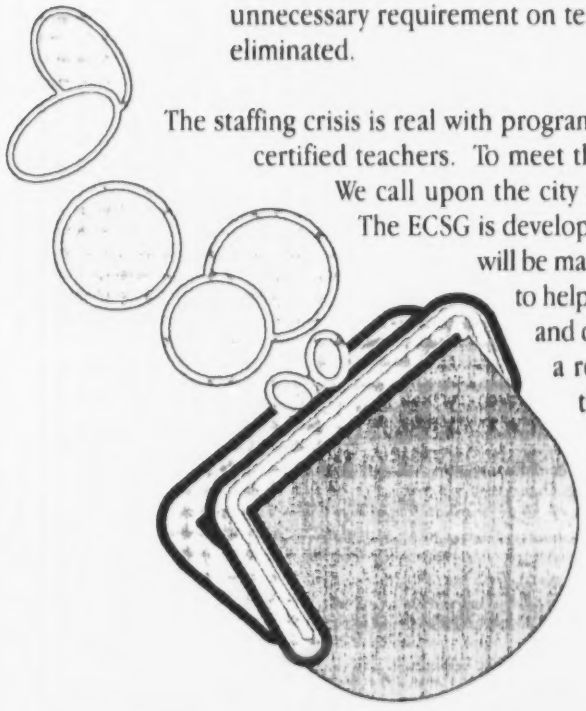
While blended funding issues remain central to the process of UPK implementation, there are large pressing issues that affect the early care and education community's ability to serve children and families. The two most critical of these are the shortage of certified early education teachers and the shortage of classroom facilities.

## Continue to Address the Teacher Shortage

New York City is suffering from a shortage of certified teachers both in the public schools and in other early childhood settings. Teachers enter the field but do not remain and the higher education system is not training a sufficient number of teachers. In addition, as noted, the certified teachers in early childhood programs outside the public schools are paid substantially less than teachers in the public schools. As a result, the CBOs under contract to the BOE to provide UPK services face tremendous difficulty in recruiting and retaining staff. Currently, there is no coherent plan in place for how to tackle these issues across both the public education system and the rest of the early childhood community. Each of the agencies that fund and regulate these programs has a stake in finding a solution to this challenging issue. Although this issue exceeds the purview of this paper, the ECSG is providing a couple of concrete recommendations and a call to action.

Currently, both the State Department of Education and the Board of Education are embarked on efforts to recruit teachers into the public schools. Any such recruitment and retention efforts should be available to the early childhood programs that contract with the Board of Education to provide UPK services.

The Department of Health's current regulations set forth specific course requirements for teachers working in early childhood programs that are not required by State Education Department to meet teacher certification requirements. While the course requirements are useful, they place an unnecessary requirement on teachers working outside the public school system and should be eliminated.



The staffing crisis is real with programs continuing to report major difficulties in retaining and hiring certified teachers. To meet this challenge will require a multi-level investment of resources. We call upon the city and the state to join with us in addressing these major issues. The ECSG is developing an analysis of workforce supply at this time. This information will be made available to all sectors of the early care and education community to help us create a systems approach to the training, recruitment, retention and certification of an early education workforce. The ECSG will sponsor a roundtable for professionals from the different sectors to frame this dialogue.

### Develop a means to expand classroom facilities

Space is at a premium in New York City. To create the necessary capacity for early education, we need to explore expansion options for public schools and CBO facilities. This effort should include:

Creating a cross-sector taskforce to address the facilities issue on an on-going basis.

Identify facilities in school districts that can be renovated for early education classrooms.

Develop a strategy to create funding for renovation and minor repairs.

Develop a strategy to encourage community-based providers to expand their services.

Revisit the previous strategy to create early education centers that integrate public school and child care facilities within the same setting.

## Conclusion

The early care and education community has an abiding commitment to make blended funding and systems development more efficient. We have tried to condense this understanding into eight policy recommendations:

Explore a unified rate of payment for UPK.

Determine the real cost of running a quality early education program regardless of provider.

Develop a coherent, citywide strategy on blended funding and contracting issues.

Provide technical assistance at the local level on contracting and cost allocation procedures.

Research children's access to part, full and extended day services.

Research the capacity of CBOs to expand services.

Collaboratively address the shortage of certified teachers.

Develop a collaborative plan to increase classroom space.

The early care and education community must join with public officials to assure that we take the next major step forward in creating an early care and education system for all families of New York City.

**APPENDIX A-1**

## ALLOCATING UPK COST IN AN EXISTING ACD CONTRACTED PROGRAM

Three (3) Classrooms /55 children
1 three-year-old room/15 children
2 four-year-old rooms/40 children [with 20 Universal Pre-K children (10 in each room)]

| Allowable Board of Education Costs | Allowable and Allocatable to ACD | Basis of Allocation |
|---|---|---|
| ***Direct Costs*** | | |
| **Salaries and Fringe Benefits** | | |
| Teachers | Yes | Hours 2.5 hrs/7.5 hrs |
| Assistant Teachers | Yes | Hours 2.5 hrs/7.5 hrs |
| Teacher's Aides | Yes | Hours 2.5 hrs/7.5 hrs |
| Social Workers | No | N/A |
| Family Workers | No | N/A |
| **Other Than Personnel Services** | | |
| Instructional Area Facility Cost | Yes | Square Feet, Time |
| Equipment Purchase | Yes | Number of Children |
| Equipment Rental | Yes | Number of Children |
| Meals | No | N/A |
| Snacks | No | N/A |
| Instructional Supplies | Yes | Number of Children |
| Travel Expenses Instructional/Recreational | No | N/A |
| Support Services to Children & Families | No | N/A |
| Parent Involvement | Yes | Number of Children |
| ***Indirect Costs - Administration and Overhead*** | | |
| **Salaries and Fringe Benefits** | | |
| Director | Yes | Number of Children |
| Educational Director | Yes | Number of Children |
| Assistant Director | Yes | Number of Children |
| Cooks and Helpers | Yes | Number of Meals |
| Custodian and Helpers | Yes | Number of Children |
| Accountants and Bookkeepers | Yes | Actual Costs |
| **Other Than Personnel Services** | | |
| Electrice | Yes | Square Feet, Time |
| Gas | Yes | Square Feet, Time |
| Telephone | Yes | Number of Children |
| Non-instructional Supplies | Yes | Number of Children |
| Maintenance/Janitorial Supplies | Yes | Number of Children |
| Travel Expenses-Non-instructional | No | N/A |

**Footnote: This program participates in the Child and Adult Care Food Program**

**APPENDIX A-2**

## ALLOCATING UPK COST IN AN EXISTING ACS CONTRACTED HEAD START PROGRAM

Three (3) Classrooms /60 children a.m. and 60 children p.m.
Two (2) Classrooms/ 40 children a.m. (20 UPK and 20 HS) and 40 children p.m. (20 UPK and 20 HS)
One (1) Classroom/ 20 children a.m. (HS) and 20 children p.m. (HS)

| Allowable Board of Education Costs | Allowable and Allocatable to ACD | Basis of Allocation |
|---|---|---|
| ***Direct Costs*** | | |
| **Salaries and Fringe Benefits** | | |
| Teachers | Yes | Hours 5 hrs/7 hrs |
| Assistant Teachers | Yes | Hours 5 hrs/7 hrs |
| Teacher's Aides | Yes | Hours 5 hrs/7 hrs |
| Social Workers | Yes | Number of Children |
| Family Workers | Yes | Number of Children |
| **Other Than Personnel Services** | | |
| Instructional Area Facility Cost | Yes | Square Feet, Time |
| Equipment Purchase | Yes | Number of Children |
| Equipment Rental | Yes | Number of Children |
| Meals | No | N/A |
| Snacks | No | N/A |
| Instructional Supplies | Yes | Number of Children |
| Travel Expenses Instructional/Recreational | Yes | Number of Children |
| Support Services to Children & Families | Yes | Number of Children |
| Parent Involvement | Yes | Number of Children |
| ***Indirect Costs - Administration and Overhead*** | | |
| **Salaries and Fringe Benefits** | | |
| Director | Yes | Number of Children |
| Educational Director | Yes | Number of Children |
| Assistant Director | Yes | Number of Children |
| Cooks and Helpers | Yes | Number of Children |
| Custodian and Helpers | Yes | Number of Children |
| Accountants and Bookkeepers | Yes | Actual Costs |
| **Other Than Personnel Services** | | |
| Electrice | Yes | Square Feet, Time |
| Gas | Yes | Square Feet, Time |
| Telephone | Yes | Number of Children |
| Non-instructional Supplies | Yes | Number of Children |
| Maintenance/Janitorial Supplies | Yes | Number of Children |
| Travel Expenses-Non-instructional | Yes | Number of Children |

**Footnote: This program participates in the Child and Adult Care Food Program**

**APPENDIX A-3**

## ALLOCATING UPK COST IN AN EXISTING PRIVATE DAY CARE PROGRAM

Three (3) Classrooms /55 children
One (1) Three-year-old room/ 15 children
Two (2) Four-year-old srooms/ 40 children [with 20 Universal Pre-K children (10 in each room)]

| Allowable Board of Education Costs | Allowable and Allocatable to ACD | Basis of Allocation |
|---|---|---|
| ***Direct Costs*** | | |
| **Salaries and Fringe Benefits** | | |
| Teachers | Yes | Hours 2.5 hrs/7.5 hrs |
| Assistant Teachers | Yes | Hours 2.5 hrs/7.5 hrs |
| Teacher's Aides | Yes | Hours 2.5 hrs/7.5 hrs |
| Social Workers | No | N/A |
| Family Workers | No | N/A |
| **Other Than Personnel Services** | | |
| Instructional Area Facility Cost | Yes | Square Feet, Time |
| Equipment Purchase | Yes | Number of Children |
| Equipment Rental | Yes | Number of Children |
| Meals | Yes | N/A |
| Snacks | Yes | N/A |
| Instructional Supplies | Yes | Number of Children |
| Travel Expenses Instructional/Recreational | Yes | Number of Children |
| Support Services to Children & Families | No | N/A |
| Parent Involvement | Yes | Number of Children |
| ***Indirect Costs - Administration and Overhead*** | | |
| **Salaries and Fringe Benefits** | | |
| Director | Yes | Number of Children |
| Educational Director | Yes | Number of Children |
| Assistant Director | Yes | Number of Children |
| Cooks and Helpers | Yes | Number of Meals |
| Custodian and Helpers | Yes | Number of Children |
| Accountants and Bookkeepers | Yes | Actual Costs |
| **Other Than Personnel Services** | | |
| Electrice | Yes | Square Feet, Time |
| Gas | Yes | Square Feet, Time |
| Telephone | Yes | Number of Children |
| Non-instructional Supplies | Yes | Number of Children |
| Maintenance/Janitorial Supplies | Yes | Number of Children |
| Travel Expenses-Non-instructional | Yes | Number of Children |

**Footnote: This program participates in the Child and Adult Care Food Program**

**APPENDIX A-4**

## UPK COST ALLOCATIONS FOR SPECIAL EDUCATION PROVIDERS

For programs operating preschool special education services under Education Law Section 4410, specific allocation methods are required by regulation, and the method to be used varies by the type of special education program being operated.

### 1. Classrooms in Which All Children Are Funded by UPK

(This applies when a Section 4410 program has one or more classrooms in its site in which all children in the classroom are funded in whole or in part by UPK, including cases where one or more of the children funded by UPK are also receiving SEIT services or "related services" within the UPK classroom.)

These providers report on a state-mandated format called the **Consolidated Fiscal Report,** and are called "**CFR** agencies." Allocations of the CFR agency costs are required, by regulation, to be performed in accordance with the CFR manual. In most cases, the CFR manual would require the program to:

1. Report direct UPK program expenses (e.g., the UPK teacher and aides) in a separate column on the CFR; and

2. Apply indirect and overhead costs to the UPK column based in the child FTE or square footage allocation, whichever is applicable. The ratio value method of allocating costs is applied to agency administrative overhead. Under ratio value, the agency determines what percentage of direct costs the UPK program represents in relation to the agency as a whole, and applies that same percentage to the indirect costs.

   For example: the ABC Children's Center has total direct expenses for all programs of $500,000. The direct expenses of its UPK program are $50,000, or 10%. ABC has total indirect/overhead expenses for all programs of $60,000. ABC must allocate $6,000 of indirect expenses to its UPK program.)

### 2. Special Class in Integrated Setting (SCIS)

This applies when the classroom has an SCIS tuition rate that is funding the Section 4410 children in the classroom, and UPK is the funding source for the typically developing children in the classroom.

1. For these classes, UPK is not reported as a separate cost center and there is no allocation of costs. The SCIS cost center reports **all** the costs for the classroom including the costs of the "general ed" personnel and the costs related to the typically developing UPK children.

2. UPK dollars are reported only as offsetting revenue for typically developing children. The SCIS cost center bears its ratio value share of indirect costs for the agency as a whole.

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Nancy Kolben
for the *Early Childhood Strategic Group*

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